



**The Dynamics of Price and Performance and the Role of Reputation:  
An Empirical Study of French and Spanish Wines (work in progress)**

**Frédéric Warzynski & Mikel Tapia, U. Carlos III de Madrid :  
fwarzyns@emp.uc3m.es**

A recent literature has estimated the effect of experts' reviews on the price of wine (e.g. Gergaud, 2000; Hadj Ali et al., 2005; Dubois and Nauges, 2005) in the tradition of hedonic prices literature (Rosen, 1974). However, these papers have been limited to a static analysis of the link between price and performance. None of these papers have looked at the effect of change in "performance", or, more precisely a change of the opinion of a wine expert, on price and have linked this reaction to the level of reputation enjoyed by the firm. This is the aim of the paper.

The idea that we want to test is the following: is the sensitivity of price to performance going to be different according to the level of reputation enjoyed by the vineyard? To test this idea we look at the dynamics of performance of all wines rated by Parker and relate it to the dynamics of prices charged by the vineyards.

Several theoretical models (e.g. Holmström, 1982; Diamond, 1989) suggest that performance should have a different impact on expected ability according to how much "reputation" agents have accumulated. Reputation is usually considered to build gradually through learning, i.e. after observing past performance.

To our knowledge, only a few papers have investigated this issue in different contexts: Cabral and Hortacsu (2005) and Jin and Kato (2005) looking at the dynamics of reputation in eBay auctions, and Jin and Leslie (2003, 2005) looking at reputational effects of the introduction of hygiene cards in Los Angeles' restaurants.